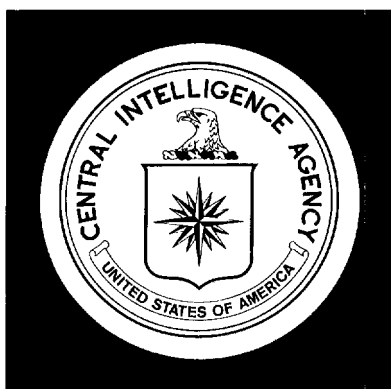


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ARAB STATES - ISRAEL: Israeli media commentators have taken a dim view of Defense Minister Dayan's meetings in Washington. The implied progress toward a disengagement of forces along the Suez Canal has raised new fears among the Egyptians that success in achieving a partial pullback of Israeli forces will freeze the situation along new cease-fire lines.

Dayan's public remarks on his return to Israel yesterday were guarded, indicating that he had reached an "understanding," but not "full agreement" with US officials. He also noted his uncertainty about whether proposals discussed in Washington will be accepted by his government.

Dayan's cautious approach was probably deliberate in order to avoid giving the impression that Tel Aviv is bowing to US pressures on disengagement. Leading Israeli newspapers yesterday criticized the government for making concessions "first for the Americans and then for the Egyptians," and right-wing electoral gains dictate circumspection in any government decision to undertake a withdrawal. The now almost final election returns announced yesterday, based on a late count of the military vote, are not significantly different from the preliminary civilian returns, but indicate a conservative trend among the military that could further inhibit the government.

The Egyptians apparently anticipate an agreement on disengagement in the near future, and Cairo editorialists have begun to shift their focus from criticism of Israeli procrastination to apprehensive commentary on the possibility that a successful disengagement could mean the end of Israeli concessions. Two prominent Cairo newspapers have urged that, in order to ensure against an eventual deadlock, any agreement must be part of an ongoing process that will lead ultimately to a total Israeli withdrawal.

* * * *

Jordan is increasingly feeling the pangs of isolation from its Arab neighbors as negotiations proceed. Amman's relations with Egypt have been

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[redacted] the two delegations were in constant disagreement during the opening phase of the conference. Traditional Jordanian fears that Egypt will sell Jordan short in order to obtain a settlement in Sinai have been intensified,

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Amman apparently is not having an easy time with Syria or Saudi Arabia either. President Asad is reported to have reacted angrily to the withdrawal last week of Jordanian troops from Syria, and the US Embassy in Amman has indicated that relations are at best characterized by mutual distrust. Amman is also somewhat chagrined by Saudi Arabia's support for Palestine Liberation Organization participation in the Geneva conference, and recent developments have indicated to the Jordanians a clear Saudi tendency to support Cairo's policies to the detriment of Amman.

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EGYPT-USSR: A TASS official in Cairo

has confirmed that Egyptian Foreign Minister Fahmi will visit Moscow this week.

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Deputy TASS Director Yedrashnikov told the US Interests Section in Cairo on January 4 that the visit will probably come toward the middle or end of the week. His remarks suggested that the idea for the visit was Cairo's, but the Soviets are probably glad to be playing host to a high-level Egyptian official so soon after Israeli Defense Minister Dayan's visit to Washington.

Although claiming not to know the full purpose of Fahmi's visit, Yedrashnikov indicated his own belief that a request for further Soviet technical and military assistance would be one item on Fahmi's agenda. A subject of greater concern to Cairo, however, is probably the general state of the Egyptian-Soviet relationship and particularly the degree of Soviet support for Egypt's negotiating policy.

From Cairo's viewpoint, the relationship is not a comfortable one and it is based primarily on expediency. The Egyptians would like to keep Soviet influence in Egyptian affairs to a minimum and have for some time been initiating policies, domestic and foreign, designed to do just that. At the same time, however, Cairo does not want to antagonize Moscow. The Soviets are currently Egypt's only major source of arms, and, if hostilities were resumed, the Egyptians would hope for another injection of Soviet equipment.

Moreover, although Cairo sees the US in a better position than the USSR to effect an acceptable peace settlement, it depends on the Soviets to step in if it feels the negotiations are not proceeding favorably. Fahmi's chief mission in Moscow will thus probably be to attempt to strike a balance in Egyptian-Soviet relations--to smooth over strains and ensure the degree of Soviet support Cairo desires without committing the Egyptians to full dependency.

(continued)

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Moscow, for its part, probably welcomes the opportunity to get a better idea of Egypt's negotiating positions. In his conversation with the US official, Yedrashnikov was most interested in finding out how the US intends to proceed once a first-phase disengagement is accomplished. He seems worried that the Egyptians would then have no way of bringing about further Israeli withdrawals.

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CAMBODIA: Sharp fighting continues in the Phnom Penh area.

Khmer Communist forces this weekend attacked several government positions within four miles of Phnom Penh's airport and reportedly herded off the civilian population of a number of nearby villages. The attacks have served to divert elements of the Cambodian Army's 7th Division from clearing operations near Route 5 north of the capital.

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Elsewhere in the capital region, government positions on the east bank of the Mekong just upstream from Phnom Penh remain under Communist shelling and ground probes.

Such shellings are likely to remain sporadic, however, since sustained firings would leave insurgent gun crews vulnerable to government air strikes and counterfire.

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Southwest of the capital, government forces have reopened Route 4, Phnom Penh's lifeline to the coastal port of Kompong Som. Enemy resistance was light. The highway had been interdicted for nearly two months. Major repairs may be necessary, however, before resupply convoys can safely resume using the road.

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CHINA: The economy apparently had a good but not spectacular record last year.

Peking's only specific overall claim so far has been that the gross value of industrial and agricultural output increased by 8 percent. This is consistent with other reports that the economy rebounded in 1973, although not as strongly as Peking had hoped.

Agriculture clearly improved over 1972, when poor weather damaged both grain and cotton crops. People's Daily has reported record outputs of grain, cotton, hemp, sugar, and tobacco. Grain production was said to have surpassed the record 246 million tons claimed for 1971, and cotton output reportedly rose 20 percent.

Industrial production was said to have risen by "a big margin," but no figures were cited. Prominently missing from a list of products whose production met or surpassed plan targets were iron ore, pig iron, coal, cement, and mining machinery--bottleneck items that received high priority in 1973. The only regional claim issued so far is for Shanghai, where gross industrial output reportedly rose by 8 percent, compared with 1972. Piecemeal evidence suggests that industrial production increased by about 8 percent throughout the country--the same rate estimated for 1972.

Peking also asserted that foreign trade rose "significantly" last year. Partial trade returns, in fact, indicate that China's total trade jumped from \$5.8 billion in 1972 to more than \$8 billion in 1973. Peking, however, ignored the fact that imports--especially of grain and cotton--grew much more rapidly than exports, resulting in a deficit with hard currency countries of roughly \$500 million.

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JAPAN - SOUTHEAST ASIA: Prime Minister Tanaka begins a ten-day good-will mission to the Philippines, Thailand, Singapore, Malaysia, and Indonesia today. Tanaka's trip takes place against a background of rising anti-Japanese sentiment among Southeast Asians, and his main purpose will be to counter local impressions of Japan as an excessively self-interested economic partner. Anti-Japanese student activity in Thailand and Indonesia--where demonstrations against Tanaka may occur--has heightened Tokyo's sensitivity to the problem.

Japanese Foreign Ministry officials have told the US Embassy that they hope to keep Tanaka's talks on a high level, avoiding detailed discussion of potentially troublesome economic issues. They see his trip as a means to strengthen Japan's political links with the region, thus indirectly improving Japanese access to its resources, markets, and investment opportunities.

While there are no plans for Tanaka to discuss specific economic proposals, he may have to reassure his hosts about anticipated cutbacks of Japanese exports and likely reductions in Japanese overseas investment and economic assistance. Tanaka will try to explain the problem in terms of the impact on Japanese industry and commerce of current oil shortages and price increases.

Tanaka will not advocate any new regional grouping nor seek to modify the Association of Southeast Asian Nations (ASEAN)--whose membership comprises the five host countries. The Japanese consider bilateral relations more important. In any case, in discussing regional matters, the Japanese will carefully avoid even the suggestion of challenge to the ambitions of Indonesia's leadership.

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CONGO: The government is preparing to nationalize the French-owned company that imports and distributes the bulk of the Congo's petroleum products.

At midnight on January 4, troops surrounded the firm's storage facilities in the port city of Pointe Noire. Announcement of nationalization will be made soon. Other foreign distributors--including Shell and Texaco--apparently will not be taken over at this time.

An acute shortage of petroleum products has developed because of cutbacks in Arab production. The Congo itself is a modest oil producer, but construction of Brazzaville's first refinery will not be completed until 1975. It is not known if Ngouabi's decision was influenced by prior guarantees of oil supplies from Middle East exporters, as was the case in neighboring Zaire which nationalized foreign-owned petroleum distribution facilities on December 18.

Relations with France, the Congo's former colonizer and main aid donor, will come under renewed strain. The government already has instructions to cancel a new five-year exploration concession granted to a French oil company that is the Congo's largest producer. Brazzaville's opportunistic leaders probably hope to obtain better financial terms than the government's present 15-percent interest.

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FOR THE RECORD*

Israel: New vote totals, based on a late count of the military vote, have given the right-wing Likud a total of 39 seats, one more than had been estimated on the basis of preliminary tallies. The latest returns resulted in no change in the Labor Alignment's total of 51 seats. According to Israeli radio, final official returns now await only the "examination" of 2,000-3,000 military votes. [REDACTED]

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OPEC: Oil ministers from the petroleum exporting countries (OPEC) will begin talks in Geneva today to coordinate long-term policies and to approve recent price increases. The question of special price concessions for developing countries will be considered. [REDACTED]

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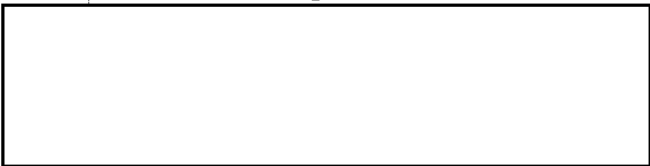
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